

APPENDIX

“The Revenue Act of 1936, Section 26—Credits of Corporations:

“In the case of a corporation the following credits shall be allowed to the extent provided in the various sections imposing tax”——

(Note)—There follow five subdivisions, (a) to (e), but no subdivision (f).

“Section 27.—Corporation Credit for Dividends Paid:

Subdivision (h)—Nontaxable Distributions.

“If any part of a distribution (including stock dividends and stock rights) is not a taxable dividend in the hands of such of the shareholders as are subject to taxation under this title for the period in which the distribution is made, no dividends paid credit shall be allowed with respect to such part.”

“Section 351.—Surtax on Personal Holding Companies—Subdivision (3).

“The term ‘adjusted net income’ means the net income minus the sum of: * * *

“(C) Losses from sales or exchanges of capital assets which are disallowed as a deduction by section 117 (d).”

“The Revenue Act of 1937—Section 351, Surtax on Personal Holding Companies:

“There shall be levied, collected, and paid, for each taxable year (in addition to the taxes imposed by Title I) upon the undistributed adjusted net income of every personal holding company a surtax equal to the sum of the following:

(1) 65 per centum of the amount thereof not in excess of \$2,000; plus

(2) 75 per centum of the amount thereof in excess of \$2,000.”

“Section 355. Undistributed Adjusted Net Income.

“For the purposes of this title the term ‘undistributed adjusted net income’ means the adjusted net income (as defined in section 356) minus

“(a) The amount of the dividends paid credit provided in section 27, computed without the benefit of subsection (b) thereof (relating to the dividend carry-over); and

“(b) Amounts used or irrevocably set aside to pay or to retire indebtedness of any kind incurred prior to January 1, 1934, if such amounts are reasonable with reference to the size and terms of such indebtedness.”

“Section 356. Adjusted Net Income.

“For the purposes of this title the term ‘adjusted net income’ means the net income with the following adjustments:

“(a) *Additional Deductions.*—There shall be allowed as deductions—

“(1) Federal income, war-profits, and excess-profits taxes paid or accrued during the taxable year to the extent not allowed as a deduction under section 23; but not including the tax imposed by section 102, section 351 (either before or after its amendment by the Revenue Act of 1937), or a section of a prior income-tax law corresponding to either of such sections.

“(2) In lieu of the deduction allowed by section 23 (q), contributions or gifts made within the taxable year to or for the use of donees described in section 23 (q) for the purposes therein specified, to an amount which does not exceed 15 per centum of the taxpayer’s net income, computed without the benefit of this paragraph and section 23 (q), and without the deduction of the amount disallowed under subsection (b) of this section.

“(3) In the case of a corporation organized prior to January 1, 1936, to take over the assets and liabilities of the estate of a decedent, amounts paid in liquidation of any liability of the corporation based on the liability of the

decedent to make contributions or gifts to or for the use of donees described in section 23 (o) for the purposes therein specified, to the extent such liability of the decedent existed prior to January 1, 1934. No deduction shall be allowed under paragraph (2) of this subsection for a taxable year for which a deduction is allowed under this paragraph."

"The Revenue Act of 1942—Section 501, Additional Credits for Undistributed Profits Tax.

"(a) Amendments to the Revenue Act of 1936 * * * .

"(3) Section 26 of the Revenue Act of 1936 (relating to credits of corporations) is amended by adding at the end thereof the following new subsections:

"(f) *Deficit Credit.*—The amount by which the adjusted net income exceeds the sum of (1) the earnings and profits accumulated after February 28, 1913, as of the beginning of the taxable year, and (2) the earnings and profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year). For the purposes of this subsection, earnings and profits of the taxable year shall be computed without diminution by the amount of the tax imposed under section 14, 102, 103, or 351 for such taxable year; and earnings and profits accumulated after February 28, 1913, as of the beginning of the taxable year, shall be diminished on account of the tax under section 14, 102, 103, or 351 for any previous taxable year only by the amount of such tax as computed under the amendments made by section 501 of the Revenue Act of 1942."

"(b) *Effective Date of Amendments.*—The amendments made by subsection (a) shall be effective as of the date of the enactment of the Revenue Act of 1936.

"(c) *Overpayments.*—If the refund or credit of any overpayment for any taxable year, to the extent resulting from the application of this section, is prevented on the date of the enactment of this Act or within one year from such date, then, notwithstanding any other provision of law or rule of law (other than this subsection and other

than section 3761 of the Internal Revenue Code or section 3229 of the Revised Statutes, or such section as amended by section 815 of the Revenue Act of 1938, relating to compromises), such overpayment shall be refunded or credited in the same manner as in the case of an income tax erroneously collected under the Revenue Act of 1936, if claim therefor is filed within one year from the date of the enactment of this Act."

Sec. 186—“(h) Overpayments and Deficiencies.—If the refund or credit of any overpayment for any taxable year, to the extent resulting from the application of subsections (e) and (g) of this section is prevented on the date of the enactment of this Act or within one year from such date, then, notwithstanding any other provision of law or rule of law (other than this subsection and other than section 3761 of the Internal Revenue Code or section 3229 of the Revised Statutes, or such section as amended by section 815 of the Revenue Act of 1938, relating to compromises), such overpayment shall be refunded or credited in the same manner as in the case of an income tax erroneously collected if claim therefor is filed within one year from the date of the enactment of this Act.”